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ACTIVITY
PRISE
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INDUSTRY
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VENTIONS

Maryland of **TOURISM**.

Fiscal Year 2012 Tourism Development Annual Report

PUBLISHED BY THE MARYLAND TOURISM DEVELOPMENT BOARD AND THE DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

Dear Tourism Industry Partners:

Pursuant to Section 5 of Chapter 471 Acts of 1997 (HB 685), I am pleased to present the Fiscal Year 2012 Maryland Tourism Development Fund Annual Report (Annual Report).

Each year, the Maryland Tourism Development Board (Board) and the Department of Business and Economic Development (Department) report on the impact the travel and tourism industry contributes to Maryland's economy. As someone who has been involved in the Maryland tourism industry for more than 20 years, I know firsthand the economic impact visitors have on my bottom line.

This year's annual report highlights the economic impact of Maryland's tourism industry from the recently released *Economic Impact of Tourism in Maryland—2011 Tourism Satellite Account* report from Tourism Economics, a leading tourism industry research firm. The Tourism Satellite Account reported more than **\$14.3 billion** in visitor spending and close to **\$2 billion** in State and local taxes.

Economic Impact is generally reported by **calendar** year; all other metrics in the Annual Report are Fiscal Year 2012 (July 2011–June 2012).

Another measurement highlighted in the Annual Report is the direct result of the passage of the Tourism Promotion Act of 2008 and its performance-based formula. Eight key tourism tax codes are tracked, reported and considered in calculating future tourism budgets. Comparisons, by county, of Fiscal Year 2011 and Fiscal Year 2012 codes are included in this report. The Board is also now mandated to submit a report, in cooperation with the Maryland Association of Destination Marketing Organizations (MDMO), on the effectiveness of mandatory funding and the passage of the Tourism Promotion Act in increasing visitor attendance and visitor spending in Maryland. We've included the content of that report in this Annual Report, and will continue to do so in the future.

While the results of a Tourism Satellite Account are only available on an annual basis, many performance metrics—

including the tourism tax codes, are available on a more frequent basis. Recognizing the importance of more timely information, the Office of Tourism Development (OTD) distributes an electronic Tourism Monitor, which reports tourism trends and key performance metrics on a monthly basis. Included in the Annual Report is a year-end recap of the Tourism Monitor, including the metrics tracked in the Department of Budget & Management's Managing for Results (MFR) program and the StateStat performance reporting system.

As a small business owner, I scrutinize every aspect of business with an eye toward return on investment. In order to ensure that we were being the most effective steward of the Maryland Tourism Development Board Fund, the Board commissioned a leading market research company that specializes in tourism advertising effectiveness studies, Strategic Marketing and Research, Inc. (SMARI), to measure the recognition and effectiveness of OTD's 2011 advertising placements. SMARI found that OTD's return on invested advertising dollar compared favorably to other state studies; you'll find further details on this study inside of the Annual Report. **I am pleased to report that the efforts of the Maryland Office of Tourism in 2011 delivered a powerful return on investment of \$6.66 in State sales tax for every dollar invested in state tourism advertising.**

I am proud of the work of the Board and the OTD, and the positive impact that the tourism industry has on our State and its citizens.

Sincerely,

Greg Shockley, Chair
Maryland Tourism Development Board
Owner, Shenanigan's Irish Pub, Ocean City

Tourism: a Revenue Generator

The travel and tourism economy and its impact in Maryland

Measuring the tourism industry is somewhat difficult, as the industry is not measured in standard economic accounting systems. Most industries are accounted via the supply-side: businesses are categorized into North American Industry Classification System (NAICS) codes and surveyed about jobs, revenues and costs.

But tourism is a demand-side activity: the focus is on what the traveler buys before and during a trip. As a result, tourism touches many industries.

This year's Annual Report reflects the data collected by a Tourism Satellite Account (TSA)—the emerging industry standard now being used by other progressive and competitive states, as well as the U.S. Travel Association.

A TSA provides measurements of tourism that are designed to be consistent with the System of National Accounts, which facilitates inter-industry comparisons. It also includes a wider view of tourism demand, such as second-home activity, capital investment and government spending—**not just visitor spending**. This broader measurement is referred to as the tourism economy. The TSA reported that Maryland's total tourism economy generated \$15.3 billion in 2011.

While this broader definition is important to track from a comparability standpoint, the key industry statistics will focus on visitor spending—the spending in Maryland by visitors on travel purchases, and will not include capital investment or government spending.

\$14.3 BILLION IN VISITOR SPENDING IN 2011

Maryland tourists and travelers spent \$14.3 billion on travel expenses in 2011, based on the latest TSA conducted by Tourism Economics, an Oxford Economics company. Local transportation, food and beverage, and lodging each represent about 20 percent of tourism industry sales. Retail closely follows, representing 15 percent of direct industry sales. Total spending increased 7.8 percent over 2010.

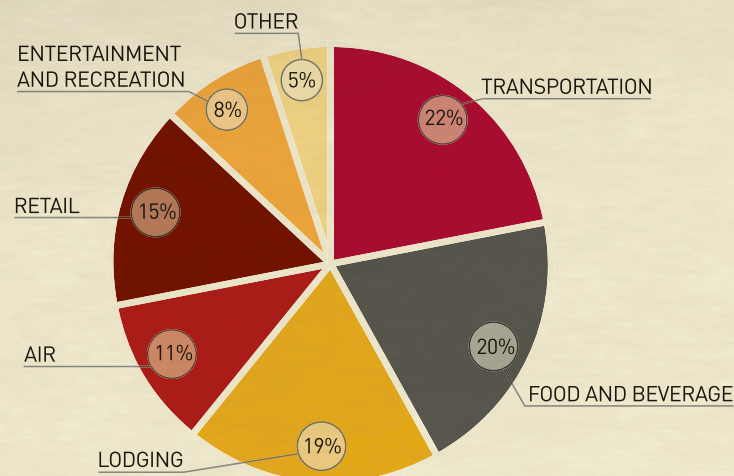


VISITOR SPENDING (IN MILLIONS)

	2009	2010	2011	% CHANGE 10-11
TRANSPORTATION	\$2,704.0	\$2,788.4	\$3,192.0	14.5
FOOD & BEVERAGE	\$2,665.3	\$2,754.0	\$2,878.6	4.5
LODGING	\$2,476.0	\$2,615.2	\$2,721.2	4.1
RETAIL	\$1,822.2	\$1,933.0	\$2,093.2	8.3
AIR	\$1,369.2	\$1,439.0	\$1,533.3	6.5
ENTERTAINMENT AND RECREATION	\$1,078.8	\$1,116.2	\$1,210.7	8.5
OTHER	\$600.5	\$607.4	\$657.0	8.2
TOTAL	\$12,706.0	\$13,253.2	\$14,286.0	7.8

The Economic Impact study contract was awarded to Tourism Economics for Calendar Years 2010–2012.

Visitor Spending Categories



MORE THAN 131,000 DIRECT TOURISM JOBS WITH A PAYROLL OF \$4.7 BILLION

According to Tourism Economics, tourism is the 10th largest private sector employer in the State, supporting 131,686 direct full-time equivalency jobs in 2011 in leisure and hospitality, retail, transportation, and other sectors impacted by visitor spending. For these employees, tourism jobs provided \$4.7 billion in wages and salaries in 2011.

VISITOR SPENDING IS AN IMPORTANT REVENUE GENERATOR FOR STATE AND LOCAL GOVERNMENTS

In 2011, visitor spending generated nearly \$2 billion in State and local taxes, including income taxes from the wages of industry employees, sales taxes for tourism goods and services, hotel occupancy taxes, property taxes, and other corporate taxes.



Office of Tourism Development Performance Measurements

The performance of the OTD is tracked against a variety of different measures, through the Department of Budget & Management's Managing for Results (MFR) system as well as StateStat.

One of OTD's key goals is to influence prospective visitors in targeted markets to plan a trip to Maryland. Marketing activities are then developed with the objective of increasing Web visits and quality leads for potential visitors.

NUMBER OF UNIQUE WEB VISITORS

More than 1.5 million unique Web visitors experienced visitmaryland.org in Fiscal Year 2012, an increase of 11.3 percent compared to Fiscal Year 2011 and 23.5 percent higher than Fiscal Year 2010. An additional 118,486 unique visitors utilized the mobile version of the site that launched in August 2011, for a total unique visitor count to VisitMaryland websites of 1,645,875, almost 20 percent higher than Fiscal Year 2011. An additional 495,269 unique visitors utilized the two Star-Spangled websites, with much of the traffic in May and June, due to increased marketing for Sailabration. **Total traffic to all websites increased more than 54 percent, with an online advertising budget that was 15.5 percent higher than the previous year.**

OTD drove increases in all three performance measures in Fiscal Year 2012, due in large part to increased marketing efforts promoting the June 2012 Star-Spangled Sailabration War of 1812 Bicentennial launch event, utilizing Scenic Byways reimbursable funds as well as leveraging Baltimore City tourism cooperative efforts.

Three performance metrics are tracked against this objective:

	FY 2010	FY 2011	FY 2012	% CHANGE 11-12
VISITMARYLAND.ORG	1,235,828	1,371,930	1,527,389	11.3%
VISITMD.MOBI MOBILE SITE			118,486	
1812 WEB SITE(S)	24,479	17,706	495,269	2697.2%
TOTAL TRAFFIC TO ALL WEBSITES	1,260,307	1,389,636	2,141,144	54.1%
ONLINE ADVERTISING BUDGET	\$480,728	\$457,140	\$528,000	15.5%

OTD transitioned to Google Analytics in FY2011. Metrics have been revised to reflect this new tracking methodology.

ADVERTISING-GENERATED INQUIRIES

OTD receives request for travel kits in response to print, radio, outdoor, electronic and TV advertising. In Fiscal Year 2012, requests for travel kits increased 7.8 percent. The advertising budget for traditional media (print, radio, outdoor and TV) increased by 123 percent, while inquiries related to these media increased 19 percent.

The declines in travel requests reflect an overall travel industry trend, as more and more travelers use the Web to gather travel information, instead of requesting printed travel information in advance. This is one of the reasons the Board commissioned an advertising effectiveness study, in order to more accurately reflect OTD's impact.

	FY 2010	FY 2011	FY 2012	% CHANGE 11-12
NUMBER OF ADVERTISING- GENERATED INQUIRIES:	60,895	39,018	46,307	18.7
NUMBER OF TRAVEL KITS ORDERED VIA WEBSITE:	33,062	21,550	19,002	(11.8)
TOTAL NUMBER OF TRAVEL REQUESTS	93,957	60,568	65,309	7.8
PRINT, RADIO, TV, OUTDOOR AD BUDGET	\$921,793	\$557,405	\$1,242,741	123.0
TOTAL ADVERTISING BUDGET	\$1,402,521	\$1,014,545	\$1,770,741	74.5

PUBLIC RELATIONS EFFORTS

Public relations activities—press outreach, familiarization tours and visiting journalists—generated more than 16.4 million in advertising value for Maryland tourism products and services, an increase of more than 72 percent over the previous year.

	FY 2010	FY 2011	FY 2012	% CHANGE 11-12
TRAVEL MEDIA EXPOSURE	\$8,352,937	\$9,576,094	\$16,488,457	72.2

USING RESEARCH TO ENSURE ADVERTISING EFFECTIVENESS

The Office of Tourism strives to make informed decisions regarding advertising placements and expenditures. Following the 2011 Maryland of _____ campaign, the Maryland Tourism Development Board commissioned a leading market research company, Strategic Marketing and Research, Inc. (SMARI) to measure the recognition and effectiveness of OTD's 2011 advertising placements. SMARI found that OTD's return on invested advertising dollar compared favorably to other studies—and was, in fact, the highest return on each dollar that they have ever measured compared to other destinations.

The study concluded that OTD-placed advertisements that included the Maryland of _____ images and content generated \$182 million in visitor spending, \$5.5 million in state sales tax, and \$25.9 million in state and local taxes. 211,117 trips to Maryland can be attributed to this campaign. These trips supported 1,800 jobs.

One dollar spent on the Maryland of _____ campaign by the Maryland Office of Tourism returned \$221 dollars in visitor spending, more than \$31 in state and local revenue, and nearly \$7 in state sales tax revenue.

Maryland's Tourism Marketing Works in Attracting More Visitors

The OTD has been a highly effective steward of the Board marketing funds, particularly during recent budget reductions. In Fiscal Year 2012, Maryland's tourism budget was \$9.8 million—\$8.4 million in general funds and \$1.4 million in special and reimbursable funds generated by the Maryland Tourism Development Board through advertising sales as well as the Federal Highway Administration Scenic Byways grant award. The states that compete most heavily with Maryland—which have similar beach, urban, cultural heritage or mountain destinations—have historically had larger tourism budgets and have targeted the same prospective visitors: in Fiscal Year 2012, Virginia's tourism budget was \$17.3 million—almost double Maryland's tourism budget. Pennsylvania had a \$29.8 million budget as recently as Fiscal Year 2009.

In order to combat this disparity, OTD began to refocus marketing efforts in 2008, targeting the key feeder markets of Washington, D.C., Philadelphia and Baltimore with year-round advertising based on new consumer research that helped crystalize key messaging. These efforts are paying off, with

One tourism job was supported for every \$458 in Maryland Office of Tourism advertising. Given the high return on investment for the Maryland of _____ advertisements, the Board has allocated \$750,000 of the additional \$1 million appropriated to the Board Fund in Fiscal 2013 to media buys targeting prospective visitors.

	MEDIA BUDGET	INCREMENTAL TRIPS GENERATED	VISITOR SPENDING	STATE SALES TAX GENERATED	STATE/ LOCAL TAX GENERATED	ADDT'L JOBS
2011 ADVERTISING CAMPAIGN	\$827,095	211,117	\$182 million	\$5.5 million	\$25.9 million	1,804

VISITOR SPENDING PER AD DOLLAR	STATE SALES TAX REVENUE PER AD DOLLAR	STATE AND LOCAL TAX REVENUE PER AD DOLLAR	1,804 NEW JOBS, EQUALING ONE JOB FOR EVERY \$458 IN ADVERTISING
\$220.54	\$6.66	\$31.32	

Maryland welcoming 34.4 million domestic travelers in 2011, an increase of 6.8 percent from 2010 and an increase of 26 percent from 2007's 27.2 million visitors. Growth has occurred in all segments—both business and leisure, as well as both day trips and overnights, according to an annual national survey of U.S. travelers conducted by D.K. Shifflet and Associates, a leading travel industry research firm.

Maryland's 26.4 percent increase—representing an additional 7.2 million visitors from 2007 to 2011—was substantially greater than the 8.1 percent increase the United States saw during that same time period. Maryland's increase in visitation was significantly greater than the performance of other mid-Atlantic states. Maryland has increased market share 16.9 percent since 2007, outperforming national and regional leisure travel trends during this challenging economic climate.

The OTD works closely with the local tourism offices, both individually as well as through MDMO, on a variety of product development and marketing programs. New partner marketing and cooperative advertising opportunities were developed in Fiscal Year 2011 in response to the larger grant pool. Working collaboratively with a unified message makes everyone's marketing dollars go further.

Tourism Sales Tax Revenues Outperform Overall Retail Sales Tax Collections

The passage of the Tourism Promotion Act of 2008 enacted a new potential funding source based on the tourism sector's growth year over year. This funding formula provides another quantitative, policy-backed way to report the impact that visitor spending has on sales revenue in Maryland. Eight sales tax codes are tracked and multiplied by a tourism factor—the amount deemed attributable to visitor spending—by the Comptroller. The Board qualifies for additional funding if this

tourism tax increment exceeds three percent of the tourism tax revenues from the previous year.

The Bureau of Revenue Estimates recently reported actual tourism expenditures of \$389.2 million for Fiscal Year 2012; after adjusting for the sales tax rate increase on the sale of alcohol, these revenues totaled \$377.5 million. Tourism revenues increased 5 percent, well above the three percent growth threshold, and the qualifying tourism tax increment is \$3,573,000 for Fiscal Year 2014. Without adjusting for the alcohol sales tax rate increase the Board would have qualified for \$9,425,000.

SALES TAX CATEGORY	TOTAL SALES TAX REVENUES (\$)			TAX FACTOR	TOURISM TAX REVENUES (\$)			
	FY 2012 WITH ALCOHOL INCREASE	FY 2012 WITHOUT ALCOHOL INCREASE	FY11		FY 2012 WITH ALCOHOL INCREASE	FY 2012 WITHOUT ALCOHOL INCREASE	FY11	GROWTH WITHOUT ALCOHOL INCREASE
111 HOTELS, MOTELS SELLING FOOD	\$43.5	\$42.4	\$41.4	100%	\$43.5	\$42.4	\$41.4	2.5%
901 HOTELS, MOTELS, APARTMENTS, COTTAGES	\$89.8	\$88.7	\$84.1	100%	\$89.8	\$88.7	\$84.1	5.5%
108 RESTAURANTS, LUNCHROOMS, DELICATESSENS	\$314.9	\$310.3	\$291.3	33%	\$105.0	\$103.4	\$97.1	6.5%
112 RESTAURANTS AND NIGHTCLUBS	\$245.9	\$222.3	\$211.2	33%	\$82.0	\$74.1	\$70.4	5.2%
306 GENERAL MERCHANDISE	\$153.7	\$153.4	\$141.1	5%	\$7.7	\$7.7	\$7.1	8.7%
407 AUTOMOBILE, BUS AND TRUCK RENTALS	\$64.4	\$64.4	\$62.6	90%	\$58.0	\$58.0	\$56.4	2.9%
706 AIRLINES — COMMERCIAL	\$0.3	\$0.3	\$0.3	50%	\$0.2	\$0.2	\$0.1	32.3%
925 RECREATION AND AMUSEMENT PLACES	\$6.0	\$5.9	\$6.0	50%	\$3.0	\$2.9	\$3.0	(2.3%)
TOURISM TAX CATEGORIES SUBTOTAL	\$918.7	\$887.8	\$837.9		\$389.2	\$377.5	\$359.5	5.0%
ALL SALES TAX CATEGORIES SUBTOTAL	\$4,079.1		\$3,898.0					

 *Thomas Point Lighthouse*





Across the State, county to county, no matter the region, visitor spending makes a significant impact. The following chart details actual tourism expenditures for Maryland's 23 counties and Baltimore City, broken out by geographic region.



TOURISM SALES & USE TAX CODES BY COUNTY — ADJUSTED FOR TOURISM FACTOR

County	FY 2012 Tourism Sales Tax Revenue with Alcohol Increase	FY 2011 Tourism Sales Tax Revenue	% Change
Allegany	\$3,595,947	\$3,380,667	6.4%
Garrett	\$2,930,133	\$2,702,940	8.4%
Washington	\$7,329,570	\$6,822,661	7.4%
WESTERN REGION	\$13,855,650	\$12,906,268	7.4%
Frederick	\$11,035,475	\$10,020,992	10.1%
Montgomery	\$67,059,516	\$64,314,882	4.3%
Prince George's	\$52,268,538	\$49,012,387	6.6%
CAPITAL REGION	\$130,363,529	\$123,348,260	5.7%
Anne Arundel	\$57,437,083	\$52,871,791	8.6%
Baltimore City	\$47,407,142	\$42,110,826	12.6%
Baltimore County	\$41,531,480	\$38,285,763	8.5%
Carroll	\$5,242,876	\$4,700,122	11.5%
Harford	\$10,054,163	\$9,576,229	5.0%
Howard	\$15,802,252	\$14,720,681	7.3%
CENTRAL REGION	\$177,474,996	\$162,265,411	9.4%
Calvert	\$3,073,123	\$2,956,807	3.9%
Charles	\$7,058,775	\$6,905,455	2.2%
St. Mary's	\$4,552,976	\$3,978,151	14.4%
SOUTHERN REGION	\$14,684,874	\$13,840,413	6.1%
Caroline	\$572,415	\$554,266	3.3%
Cecil	\$3,825,334	\$3,415,322	12.0%
Dorchester	\$2,962,648	\$2,582,163	14.7%
Kent	\$888,454	\$704,309	26.1%
Queen Anne's	\$2,458,920	\$2,117,762	16.1%
Somerset	\$358,056	\$362,896	(1.3%)
Talbot	\$3,946,045	\$3,402,929	16.0%
Wicomico	\$5,334,838	\$5,056,238	5.5%
Worcester	\$23,719,185	\$21,849,942	8.6%
EASTERN SHORE	\$44,065,895	\$40,045,826	10.0%

DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT

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 Margot A. Amelia, Executive Director of the Office of Tourism

The Fiscal Year 2012 Tourism Development Fund Annual Report, published by the Maryland Department of Business and Economic Development's Office of Tourism, is available free upon request, as well as online in the Maryland Office of Tourism section of visitmaryland.org